

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 RSC-01 CIEP-01 SP-02 STR-01

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 L-02 AGR-05 TAR-01

PA-01 PRS-01 USIA-06 /064 W  
----- 098108

R 301807Z JAN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7613

INFO USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: EFIN, EEC

SUBJECT: EC RENEGOTIATION -- THE BUDGET ISSUE

REF: LONDON 1416, USEC 722

1. IN DISCUSSION WITH ECONCOUNS JAN 29, ECONMIN  
DEPUTY ASSTSEC MORAWITZ SAID THAT QUESTION OF UK  
CONTRIBUTIONS TO EC BUDGET WILL BE ONE OF THE  
IMPORTANT ISSUES ON AGENDA FOR FEB 3-4 SCHMIDT-GISCARD  
MEETING. (A SECOND CONTROVERSIAL ISSUE, ON WHICH  
EMBASSY REPORTING SEPARATELY, WILL BE EC/IRAN  
PREFERENCES.) ACCORDING TO MORAWITZ, SCHMIDT  
INTENDS FULFILL HIS EARLIER COMMITMENT TO WILSON  
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TO PERSUADE GISCARD TO TAKE MORE FLEXIBLE

APPROACH LEADING TO COMPROMISE ACCEPTABLE TO UK. SINCE ANY FORM OF AUTOMATIC ADJUSTMENT IN LEVEL OF CONTRIBUTIONS BASED ON GNP SHARE OR OTHER ECONOMIC INDICATORS WOULD SHIFT MOST OF BURDEN TO GERMANS, ECONMIN IS DEVELOPING PROPOSALS FOR SHARING SUCH BURDEN AMONG ALL NINE MEMBERS. FRG WOULD BE WILLING ACCEPT AUTOMATIC REDISTRIBUTION OF RELATIVELY SMALL ADJUSTMENTS IN UK PAYMENTS, BUT BELIEVES THAT ADJUSTMENTS OVER A CERTAIN AMOUNT SHOULD TRIGGER A MECHANISM FOR SHARING BURDEN AMONG ALL MEMBER COUNTRIES. MORAWITZ MADE IT CLEAR THAT UK ITSELF WOULD HAVE TO PARTICIPATE IN THE ADDITIONAL CONTRIBUTIONS TO EC BUDGET RESULTING FROM ADJUSTMENT IN BASIC UK PAYMENTS. THUS, ABOVE A CERTAIN TRIGGER LEVEL, RELIEF OFFERED UK WOULD BE PARTIALLY OFFSET BY REQUIREMENT THAT UK SHARE IN REDISTRIBUTION EXERCISE.

2. MORAWITZ BELIEVES SCHMIDT WILL ONLY SEEK GREATER FLEXIBILITY FROM FRENCH AT THIS POINT, RATHER THAN FRENCH AGREEMENT TO SPECIFIC PROPOSALS. THIS WOULD THEN LEAVE ROOM FOR FURTHER BARGAINING WITH BRITISH. MORAWITZ WOULD LIKE TO SEE AGREEMENT WORKED OUT BEFORE DUBLIN SUMMIT, FOR HE BELIEVES THIS IS AN ISSUE MORE SUSCEPTIBLE TO SOLUTION AT LOWER LEVEL. FURTHERMORE, ADVERSE IMPACT OF FAILURE TO REACH AGREEMENT AT SUMMIT WOULD BE MUCH GREATER THAN IMPACT OF FAILURE TO RESOLVE IMPASSE AT LOWER LEVEL.  
HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** X  
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**Current Classification:** UNCLASSIFIED  
**Concepts:** BUDGETS, MEETING AGENDA, REGIONAL ORGANIZATIONS, FINANCIAL CONTRIBUTIONS  
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